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*CIA/ONE/STAFF MEM/34-61*

CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

24 July 1961

STAFF MEMORANDUM 34-61 (Revised) (Internal O/NE Working Paper -  
CIA Distribution Only)

SUBJECT: South Africa - "Closing the Ring"

1. The basic judgment made in NIE 73-60 (The Outlook for the Union of South Africa, 19 July 1960) probably still holds, i.e., that the white minority will be able to maintain its dominance over the next few years despite increasing racial tensions. However, the past year has been marked by growing apprehension among the white community as it sees South Africa become almost isolated in the world and begins to feel the first twinges of potentially serious economic problems. Moreover, resentment among the Africans (i.e., black) has become more widespread and tempers shorter.

Background

2. Prime Minister Verwoerd's decision to leave the British Commonwealth, following a referendum to transform the Union into

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a republic, was the key political event of the last year. His action set the stage for a new manifestation of nonwhite discontent. It revealed that the African political movement had taken on new life since its low point following the Sharpeville incident in March 1960, when most of its top leadership was jailed. A three-day nationwide "stay-at-home" strike was called to mark the official assumption of Republic status on 31 May. Sponsored by leaders popularly identified with the largest non-white political organization -- the African National Congress (ANC) -- the strike, by and large, proved to be a major disappointment, emphasizing once again the depth of African disunity as well as the enhanced effectiveness of security forces. However, in response to growing tension, a nervous government whipped through drastic new detention laws and called up army reservists as preventive measures.

3. The uneasiness of the white community springs from many sources. African nationalism has made new inroads through the flow of ideas from the British protectorates in the north, and through the more militant Pan-African Congress (PAC), a breakaway group from the ANC. Equally important has been the change in attitude of the leaders of South Africa's one and a

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half million Coloreds (or mulattoes) who, angered by Verwoerd's determination to extend rigid apartheid policies to them, now threaten to join the African camp. Also, partly as a consequence of government action in expelling "loafers and agitators" from urban areas to the reserves, there has been a spread of African resistance to rural areas. Finally, the Angolan virus has not gone unnoticed in South Africa, which has a long, inadequately patrolled South-West Africa frontier facing the Portuguese territory.

4. On the international scene, South Africa's stock has continued to fall. Verwoerd has antagonized the anticolonial countries in the UN and elsewhere by his refusal to submit data on the mandated area of South-West Africa, and by his racial policies. Moreover, he has managed to embarrass the UK, and the West in general, by his intractable attitudes. Thus, South Africa has come to stand almost alone in international political matters, and the gradual realization of this fact by influential elements of the white community has contributed to the sense of tension and unease which hangs over the country.

5. The fear of economic consequences underlies much of the anxiety apparent in South Africa. Overseas investor confidence

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in the country is now virtually nil. In 1960 alone some \$225 million in foreign capital was withdrawn, and the trend continued into 1961. Early in May the drain on reserves forced the government to tighten import and currency controls and to restrict credit supply. At home, quoted stock values declined some \$1.4 billion last year, and this has seriously retarded new development. On the brighter side, South Africa's current account is in sound shape, and the threatened international boycott by Afro-Asian customers has failed to make much headway.

6. Paradoxically, however, Verwoerd has probably, at least for the time being, improved his position among the whites. With the reins of both government and the Nationalist Party firmly in his hands, he has been able to point to two recent important by-election victories as confirmation for his rigid policies, and will probably call for parliamentary elections ahead of schedule to take advantage of his present standing. Late last year, his government felt strong enough to ease up on pass laws and liquor regulations for Africans. Bolstered by success in curbing the 31 May demonstrations, and by a newly reorganized and well-equipped internal security organization, Verwoerd has probably managed to allay the fear of some members of the white community. Moreover, while few whites wished to leave the

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Commonwealth, South Africa's transformation into a Republic seemed to lessen resentment among the dominant Afrikaners against the English-speaking minority for their alleged divided loyalties, and also served to increase the Prime Minister's popularity.

7. Nevertheless, Verwoerd's successes are essentially of short duration, and realization of the impasse into which the present government has brought them is spreading among white South Africans, particularly among Afrikaner churchmen and intellectuals. Many influential Afrikaner businessmen and industrialists, as well as the leading Afrikaans newspaper, are publicly concerned over Verwoerd's policies. Other whites are becoming increasingly aware that political control of most of the continent has, in the last year or so, passed to African hands, and that the latter are unlikely to tolerate the South African system unchanged. As a result, a slowly increasing number of whites are themselves aware that the system must be moderated in some degree, although they presently feel helpless in the face of Verwoerd's rural Afrikaner strength.

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Prospects

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8. For the immediate future, the government is in a strong position; entrenched in parliament, it also has a wide choice of restrictive legislation that it can bring to bear against nonwhite opposition. Although African organizations have recently demonstrated some advance in political and agitational capabilities (and the Coloreds may infuse new ability), the resistance movement is still poorly organized and lacks élan. Moreover, South Africa's tough and mobile security forces are on a "battle-ready" footing. They have already shown themselves capable of coping with urban disturbances. They would also be able to deal with any guerrilla groups in the bush which might be organized by the Africans.

9. South Africa still has several strings to its bow on the economic front as well, including the world's richest gold mines. There is plenty of room for additional belt-tightening, as the new economic measures themselves demonstrate. The new import controls will, in the first instance, benefit many local industries, and this may stave off much unemployment. A much slower growth rate undoubtedly lies ahead as South Africans are forced to depend mainly on their own resources for risk

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capital, but dangerous shortages of imported raw materials are unlikely to develop. Moreover, the economic consequences of leaving the Commonwealth are as yet indeterminate. On the whole, however, the short term effects of this action are not likely to be serious, although the long term result may well be. The threat of loss of job and quick banishment to the native reserves remains a powerful weapon inhibiting potentially serious work stoppages by urban Africans. In sum, economic collapse or anything like it is not imminent; instead, the prospect is for slow but steady reduction in one of the highest standards of living in the world.

10. We continue to believe that, while fairly lengthy periods of uneasy quiet may occur, increasing tension and desperation on both sides cannot be avoided. Although the government remains capable of controlling the situation by force, racial animosity will certainly become progressively more bitter, and the hitherto lusty economy will continue to lose vigor.

11. The promise of new violence to come in South Africa has been underscored by indications that the heretofore moderate ANC plans to abandon non-violent tactics and to undertake a

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policy of sabotage on a national scale. While the full extent of the ANC's underground organization is unknown, it probably has a capability of carrying out at least scattered sabotage acts, and thus further spreading fear and unease among the whites. There is recent evidence that the ANC will probably obtain increasing support for such militant activities both from South African whites, principally elements of the tiny Liberal Party, and from external sources, notably Ghana. Meanwhile, much will depend upon the ability of the Portuguese to quell rapidly the large scale uprising in neighboring Angola. Should this revolt spread to southern Angola, a new base for dissidence would be opened in South-West Africa by tribal peoples spilling over the border.

12. All of these conditions suggest that the chances of significant interracial violence erupting suddenly and spasmodically will continue to grow. Should African leaders come to believe that a series of "Sharpevilles" might induce the UN, or independent African states, to intervene, they might deliberately incite further incidents to bring about intervention. For its part, the government's course is set, and we believe it will not turn back.

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